The Patients Before Profits Act of 2006
Summary

The Patients Before Profits Act of 2006, introduced by Senator Hillary Rodham Clinton and Representative John D. Dingell would eliminate taxpayer overpayments to Medicare HMOs and private insurance plans by repealing the so-called "slush fund" and ensuring Medicare payments are appropriately adjusted for the health of the people being served. This legislation would restore to working families, people with disabilities, pregnant women, the elderly, and children critical healthcare protections under Medicaid that were eliminated in the Reconciliation spending cut legislation signed by the President.

Section 1. Title

The Patients Before Profits Act of 2006.

Section 2. Elimination of Certain Medicare Advantage Overpayments

This section extends the current law refinements to risk adjustment payments for Medicare HMOs and private plans beyond 2010. While the Deficit Reduction Act makes certain adjustments to Medicare HMO payment rates for risk adjustment, these changes are not permanent, and will expire after 2010. Without these adjustments, private insurance plans are expected to receive $22 billion in overpayments between 2010 and 2015. The Patients Before Profits Act would make permanent the elimination of these taxpayer overpayments to HMOs.

Section 3. Elimination of the Private Insurance Slush Fund

This section would eliminate the $10 billion Medicare plan payment fund, often referred to as the "slush fund," that was enacted in the Medicare Modernization Act of 2003. This fund was intended for use by the Secretary of Health and Human Services to provide additional payments to private plans in order to induce participation in Medicare. The slush fund was intended as a extra pot of money for the Secretary to induce private plans to participate in the Medicare program. This pot of money is unnecessary for two reasons. <u>First</u>, numerous plans are participating in the program. <u>Second</u>, the Medicare Payment Advisory Commission (MedPAC), the independent organization charged by Congress with evaluating the adequacy of Medicare payments, has documented that these private plans are already being overpaid relative to traditional Medicare coverage.

Section 4. Reinstating Protections for Adequate Benefits and Affordable Cost Sharing

This section would restore protections for medically necessary benefits and affordable cost-sharing that were stripped from Medicaid in the Deficit Reduction Act. Under the Patients Before Profits Act, working families, pregnant women, children, the elderly, and individuals with disabilities who use Medicaid would be protected against excessive out-of-pocket costs for physician visits, prescription drugs, and emergency room visits and would also be guaranteed their Medicaid insurance coverage includes key benefits such as specialty care, mental health therapies, and hospital coverage.

The bill would strike the following sections of title XIX of the Social Security Act that were enacted under the Deficit Reduction Act this year: Section 1916A that significantly increased out-of-pocket costs for health care under Medicaid and allowed States to increase others; Section 1937 that allowed States to offer inadequate benefits packages; and Section 1938 that allowed States to offer high-deductible benefits packages.

Congressional Budget Office analysis of the changes the Deficit Reduction Act made to Medicaid highlight why this legislation is so important. According to the CBO, by 2015:

- Approximately 4.5 million children in Medicaid will be affected by higher cost-sharing charges for services such as doctor visits. In total, 13 million Americans would face higher charges to access their healthcare services.

- Twenty million people would face higher charges to obtain needed prescription drugs. One-third of those individuals affected by the drug cost-sharing (6.6 million) would be children and half (10 million) would have incomes below the Federal poverty level (monthly incomes of less than $1,380 for a family of three).

- The vast majority – 80 percent or $5.5 billion over 10 years – of the savings from cost-sharing increases are because Medicaid enrollees will cut back on their use of healthcare services.

The Congressional Budget Office also noted that 20 percent of the savings from new premium charges under this bill would be achieved because families will no longer be able to maintain their Medicaid coverage due to the new charges. Sixty percent of those losing coverage due to new premium charges would be children.

The table below highlights the overpayments that private insurance companies will continue to profit from compared to the reductions in healthcare coverage that low-income Americans will experience unless the this bill is enacted.

Reconciliation Legislation (S. 1932)

	House-Passed	**Senate-Passed**	**Conference Report**
Cuts to Americans	-$ 37.9 billion	-$2.9 billion	**-$25 billion**
Reductions in HMO Overpayments	$0	-$36 billion	**-$4.1 billion**